

Message Text

PAGE 01 NATO 06038 01 OF 02 301856Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-01 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 IO-04 EB-04 OMB-01 EURE-00 MC-01

H-01 /070 W

----- 040621

P R 301710Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 8494

SECDEF WASHDC PRIORITY

SECCOMMERCE WASHDC PRIORITY

INFO ALL NATO CAPITALS 4581

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6038

E.O. 11652: GDS

TAGS: EFIN, MCAP, NATO

SUBJECT: BURDENSARING; ECONOMIC DIRECTORATE REPORT TO NAC
ON WASHINGTON CONSULTATIONS

REF: USNATO 5928

1. IN THE DISCUSSION FOLLOWING LAULAN'S OCTOBER 23 REPORT TO
THE NAC ON HIS RECENT CONSULTATIONS IN WASHINGTON, AMBASSADOR
DE STAERCKE REQUESTED THAT THE ECONOMIC DIRECTORATE PREPARE A
REPORT IN WRITING FOR SUBMISSION TO THE COUNCIL (REFTEL).
QUOTED BELOW IS THE TEXT OF A REPORT PREPARED BY THE DIRECTORATE
AND EDITED BY THE MISSION. WE WOULD APPRECIATE BY NOVEMBER 1
FURTHER MODIFICATIONS, IF ANY, WASHINGTON WOULD LIKE IN THE
REPORT.

2. QUOTE:

FINANCIAL PROBLEMS ARISING FROM THE STATIONING OF UNITED STATES
FORCES IN EUROPE

CONFIDENTIAL

PAGE 02 NATO 06038 01 OF 02 301856Z

OFFICIAL REPORT OF THE DISCUSSION WHICH TOOK PLACE IN
WASHINGTON BETWEEN THE UNITED STATES AUTHORITIES AND
REPRESENTATIVES OF THE NATO ECONOMIC DIRECTORATE
(21ST - 22ND OCTOBER, 1974)

FOLLOWING THE VISIT TO BRUSSELS OF A UNITED STATES TEAM IN MAY 1974, IT WAS AGREED THAT FRESH CONTACTS WOULD TAKE PLACE IN WASHINGTON WITH THE INTER AGENCY WORKING GROUP DEALING WITH BURDEN-SHARING QUESTIONS.

2. THE MAIN PURPOSE OF THESE NEW CONTACTS WAS TO EXAMINE THE INFORMATION PROVIDED BY THE ALLIES CONCERNING THEIR PURCHASES IN THE UNITED STATES OF DEFENCE AND DEFENCE RELATED GOODS AND SERVICES DURING THE FISCAL YEAR ENDING 30TH JUNE, 1974.

3. THE DISCUSSION THAT TOOK PLACE, HAS IN THE FIRST INSTANCE, CONFIRMED THE INTERPRETATION OF THE JACKSON-NUNN AMENDMENT AS DESCRIBED IN PO/74/55 AND IN MORE DETAIL IN ED/74/51 (PARAGRAPH 2(III)). IN THESE DOCUMENTS IT IS STATED THAT IT MIGHT BE POSSIBLE FOR THE UNITED STATES AUTHORITIES TO CLEARLY IDENTIFY ONLY CERTAIN TRANSACTIONS AND THAT THE UNITED STATES AUTHORITIES ARE READY TO BE QUITE LIBERAL PROVIDED FIGURES ARE BROKEN-DOWN IN SUFFICIENT DETAIL, AND IN THE BELGIAN CASE.

4. ON THE BASIS OF THE FIGURES PROVIDED BY THE EUROPEAN MEMBER COUNTRIES, THE UNITED STATES INTER AGENCY WORKING GROUP INTENDS TO DRAW-UP TWO CATEGORIES OF DATA THAT TOGETHER WILL BE SUBMITTED TO CONGRESS FOR CONSIDERATION AS OFFSET IN COMPLIANCE WITH THE JACKSON-NUNN AMENDMENT. THE PRESIDENT OF THE UNITED STATES IS DUE TO MAKE HIS NEXT QUARTERLY REPORT TO CONGRESS ON NOVEMBER 16. AS ON THE PRECEDING OCCASIONS IT APPEARS THAT THIS REPORT WILL ONLY GIVE PROVISIONAL FIGURES AND THAT A FINAL REPORT TO CONGRESS ON THIS SUBJECT WILL BE MADE IN EITHER FEBRUARY 1975 OR AT THE LIMIT-DATE 16TH MAY 1975.

5. THE TWO CATEGORIES OF DATA MENTIONED ABOVE ARE AS FOLLOWS:

(A) THE FIRST CATEGORY CONSISTS OF THE FIGURES PROVIDED BY EUROPEAN COUNTRIES THAT HAVE BEEN IDENTIFIED IN THE UNITED STATES BALANCE OF PAYMENTS ACCOUNTING SYSTEM.

(B) THE SECOND CATEGORY CONSISTS OF INFORMATION FROM OTHER SOURCES ELIGIBLE TO OFFSET THE REMAINING DEFICIT. IN THIS SECOND CONFIDENTIAL

PAGE 03 NATO 06038 01 OF 02 301856Z

CATEGORY, UNITED STATES AUTHORITIES WILL GIVE TOP PRIORITY TO DATA FURNISHED BY EUROPEAN MEMBER COUNTRIES THAT THE UNITED STATES HAS BEEN UNABLE TO IDENTIFY IN ITS ACCOUNTING SYSTEM. THE INABILITY TO TRACE ALL THE PAYMENTS REPORTED BY THE EUROPEAN COUNTRIES RESULTS FROM THE WAY IN WHICH BALANCE OF PAYMENTS DATA IS RECORDED UNDER THE AMERICAN SYSTEM. CERTAIN PAYMENTS ARE INCLUDED WITHIN LARGER CATEGORIES WHICH MAKES IT IMPOSSIBLE TO IDENTIFY THE ITEMS PRECISELY, AND IT IS FOR THIS REASON THE UNITED STATES AUTHORITIES HAVE ASKED EUROPEAN NATO COUNTRIES TO PROVIDE THEM WITH ALL RELEVANT INFORMATION CONCERNING THE ACTUAL PAYMENTS MADE BY THEM IN THE UNITED STATES FOR MILITARY PROCUREMENT DURING FISCAL YEAR 1974.

CONFIDENTIAL

PAGE 01 NATO 06038 02 OF 02 301927Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-03 INR-05 L-01 ACDA-05

NSAE-00 PA-01 RSC-01 PRS-01 SP-02 USIA-06 TRSE-00

SAJ-01 SS-15 NSC-05 IO-04 EB-04 OMB-01 EURE-00 MC-01

H-01 /070 W

----- 040996

P R 301710Z OCT 74

FM USMISSION NATO

TO SECSTATE WASHDC PRIORITY 8495

SECDEF WASHDC PRIORITY

SECDEF WASHDC PRIORITY

INFO ALL NATO CAPITALS 4582

C O N F I D E N T I A L SECTION 2 OF 2 USNATO 6038

WITH THE AIM OF PRESENTING TO CONGRESS A REPORT AS FIRMLY SUBSTANTIATED AS POSSIBLE BY UNITED STATES ACCOUNTS, THE AMERICAN AUTHORITIES WISH TO INCLUDE IN THE FIRST CATEGORY MENTIONED ABOVE AS MANY AS POSSIBLE OF THE REPORTED PAYMENTS. TO THIS END, IN CERTAIN CASES SUPPLEMENTARY INFORMATION MIGHT HAVE TO BE OBTAINED FROM EUROPEAN COUNTRIES CONCERNING CERTAIN OF THEIR PAYMENTS MADE IN THE UNITED STATES (ED/74/51, PARAGRAPH 2(III))...

6. ON THE BASIS OF INFORMATION NOW AVAILABLE IT SEEMS THAT THE FIGURE OF \$1,043 MILLION OF MILITARY PROCUREMENT IN THE US BY EUROPEAN ALLIES OTHER THAN THE FEDERAL REPUBLIC OF GERMANY CAN BE RETAINED AS A FIRST APPROXIMATION. THIS SUM WOULD BE SUFFICIENT TO COVER THE DIFFERENCE BETWEEN THE PAYMENTS MADE BY THE FEDERAL REPUBLIC OF GERMANY UNDER THE CURRENT OFFSET AGREEMENT (\$1,100 MILLION) AND THE UNITED STATES MILITARY EXPENDITURES IN EUROPE (\$2,100 MILLION) FOR THE UNITED STATES FISCAL YEAR 1974. THE UNITED STATES AUTHORITIES HAVE INDICATED THAT ON THE BASIS OF THEIR PROVISIONAL FIGURES FOR THE 3RD AND 4TH QUARTERS OF THE FISCAL YEAR 1974 THEY ARE ABLE TO INCLUDE IN THEIR FIRST CATEGORY MENTIONED ABOVE SOME \$588 MILLION OF THE PROCUREMENT REPORTED BY EUROPEAN MEMBER COUNTRIES TO THE ECONOMIC DIRECTORATE THAT IS MADE
CONFIDENTIAL

PAGE 02 NATO 06038 02 OF 02 301927Z

UP AS FOLLOWS:

- GOVERNMENT TO GOVERNMENT TRANSACTIONS: \$402.5 MILLION
- COMMERCIAL TRANSACTIONS (GOVERNMENT TO FIRM, FIRM TO FIRM AND PURCHASES OF GOODS OF POTENTIAL MILITARY USE): \$125.2 MILLION
- HAWK MANAGEMENT OFFICE: \$60 MILLION

7. IN THE COURSE OF THE DISCUSSION IN WASHINGTON CERTAIN POINTS OF DETAIL WERE COVERED, NOTABLY THOSE CONCERNING THE PROBLEM OF PURCHASES MADE THROUGH THE INTERMEDIARY OF AMERICAN FIRMS, OR THEIR SUBSIDIARIES, BASED IN EUROPE. THE UNITED STATES AUTHORITIES POINTED OUT THAT THE TOTAL OF PAYMENTS MADE BY EUROPEAN COUNTRIES TO THESE FIRMS DO NOT EFFECTIVELY ENTER AS RECEIPTS IN THE US BALANCE OF PAYMENTS. NEVERTHELESS, IT HAS BEEN POSSIBLE FOR THEM IN CERTAIN CASES TO IDENTIFY RECEIPTS REPRESENTING A CERTAIN PERCENTAGE OF THIS TYPE OF PAYMENT. THE AMOUNTS IDENTIFIED IN THIS MANNER WILL BE INCLUDED IN THE FIRST CATEGORY MENTIONED ABOVE. HOWEVER, THE TOTAL OF PAYMENTS OF EUROPEAN COUNTRIES TO AMERICAN FIRMS WILL BE TAKEN INTO ACCOUNT AS A COMPENSATIONARY ELEMENT WITHIN THE FRAMEWORK OF THE JACKSON-NUNN AMENDMENT. THE DIFFERENCE BETWEEN THE PAYMENTS IDENTIFIED AND THOSE THAT HAVE NOT BEEN TRACED IN THE AMERICAN BALANCE OF PAYMENTS ACCOUNTS WILL BE INCLUDED IN THE SECOND CATEGORY. THIS APPROACH WILL ALSO BE APPLIED FOR

CERTAIN PAYMENTS MADE THROUGH THE NATO INFRASTRUCTURE PROGRAMME.

8. THE UNITED STATES AUTHORITIES HAVE BEEN ABLE TO PROVIDE MORE DETAILED FIGURES RELATING TO PURCHASES MADE BY FRANCE, OF WHICH A CERTAIN NUMBER HAVE BEEN MADE FOR MILITARY PURPOSES AND CONSEQUENTLY WILL BE INCLUDED IN THIS EXERCISE.

9. FURTHERMORE, IT HAS BEEN AGREED THAT THE BELGIAN PROPOSAL TO RETAIN AS COMPENSATIONARY ELEMENT A PERCENTAGE OF CERTAIN PURCHASES OF CIVILIAN EQUIPMENT THE PURPOSE OR USE OF WHICH WILL BE IN PART MILITARY, CAN BE TAKEN INTO CONSIDERATION TO THE EXTENT THAT THE METHOD BY WHICH THE PERCENTAGE IS ESTABLISHED IN EACH CASE CAN BE CLEARLY DEFINED AND REASONABLY JUSTIFIED.

10. IN CONCLUSION IT HAS BEEN AGREED THAT THE ECONOMIC DIRECTORATE SHOULD TRY TO OBTAIN FROM CERTAIN COUNTRIES SUPPLEMENTARY CONFIDENTIAL

PAGE 03 NATO 06038 02 OF 02 301927Z

INFORMATION CONCERNING THEIR PAYMENTS AND FORWARD IT TO THE UNITED STATES INTER AGENCY WORKING GROUP. THE LATTER WILL CONTINUE ITS WORK ON THE BASIS OF THE FIGURES ALREADY SUPPLIED, I.E., THE INFORMATION DRAWN FROM THE UNITED STATES BALANCE OF PAYMENTS ON THE ONE HAND AND ON THE OTHER HAND THE INFORMATION THAT IT HAS OBTAINED AS A CONSEQUENCE OF THE EXERCISE CARRIED OUT BY THE ECONOMIC DIRECTORATE OF NATO. IF CERTAIN FURTHER CLARIFICATION IS NECESSARY THE ECONOMIC DIRECTORATE WILL TRY TO PROVIDE THE RESPONSE REQUIRED ON THE BASIS OF THE INFORMATION FURNISHED BY DELEGATIONS. IF THE NEED ARISES, DIRECT BILATERAL CONTACTS MIGHT BE ESTABLISHED WITH CAPITALS. FOR THESE VARIOUS REASONS THE INFORMAL WORKING GROUP WHICH IS DEALING WITH THE PROBLEM RAISED BY THE JACKSON-NUNN AMENDMENT IN NATO SHOULD CONTINUE TO MEET AND TO INFORM THE COUNCIL AS THE NEED ARISES ON PROGRESS MADE.

11. FINALLY, CONTINUING THE EXCHANGE OF INFORMATION ON

TRANSACTIONS OF THIS TYPE ON A PERMANENT BASIS MAY BE USEFUL TO
THE ALLIANCE, EVEN IN THE EVENT THAT THE JACKSON-NUNN AMENDMENT
IS NOT RENEWED; BUT IT WILL REMAIN FOR THE COUNCIL TO TAKE A
DECISION ON THIS AT THE APPROPRIATE TIME. END QUOTE.
MCAULIFFE.

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: X
Capture Date: 11 JUN 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 30 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974ATO06038
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: n/a
From: NATO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741091/abbryyed.tel
Line Count: 223
Locator: TEXT ON-LINE
Office: n/a
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: USNATO 5928
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 08 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 APR 2002 by boyleja>; APPROVED <07-Aug-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BURDENSARING: ECONOMIC DIRECTORATE REPORT TO NAC ON WASHINGTON CONSULTATIONS
TAGS: EFIN, MCAP, NATO
To: STATE
SECDEF
SECCOMMERCE INFO ALL NATO CAPITALS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005